

Pandemic right time to start a business? It just might be

By Amy Haimerl

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WASHINGTON – In March, as small businesses across the country were shutting down amid the spreading coronavirus pandemic, Shanel Fields was about to open one up.

For Fields, the timing couldn't have been better. Her company, MD Ally, allows 911 dispatchers and other responders to route nonemergency calls and patients to virtual doctors, to help local governments improve their emergency response systems.

“Something that a lot of people don't know is that more than half of calls that go to 911 are nonemergency,” said Fields, whose father's experiences as a volunteer emergency medical worker sparked the idea. “Those nonemergency calls overcrowd ERs and delay ambulances.”

But she also recognizes how crazy it sounds to start a business during an economic collapse. She knows that while she's hiring, many small businesses are worrying about whether they'll ever reopen.

She's not alone: New businesses are forming despite the pandemic, though at a significantly slower rate than before.

There have been more than 500,000 applications for an employer identification number since mid-March, according to the Census Bureau, although that is down nearly 20% from a year ago. Between mid-March and mid-April, the Small Business Administration issued nearly 300 startup loans worth about \$153 million, a 36% drop from a year earlier. Stripe, the credit card processing firm, said it had handled more than \$1 billion in sales for businesses that started on the platform during that time.

Past downturns produced some high-profile U.S. companies: Airbnb, Disney, General Motors, Hewlett-Packard, Microsoft, Slack, Uber and Venmo, to name a few.

“Downturns or challenging times are seen as good times to start a business for two reasons,” said Rashmi Menon, entrepreneur in residence at the University of Michigan's Zell Lurie Institute for Entrepreneurial

are at the core of any business.”

For Fields, opening now meant greater access to top talent. She hired her fourth employee and said more than 200 qualified applicants had submitted resumes. And being in the health care sector during a pandemic has raised her profile with funders and governments: MD Ally, which is based in Philadelphia, recently signed its first customer and closed its first round of investment worth \$1 million.

For others, the timing can mean low interest rates for borrowing startup capital, cheaper equipment as businesses sell off inventory or lower lease rates as landlords scramble to fill empty spaces.

“I'm already seeing a huge uptick in requests for kitchen leases and subleases to be used for carryout kitchens or production spaces,” said Jenn Smith, a commercial real estate agent in Detroit.

In the best of times, 20% of new businesses don't survive their first year, according to federal statistics; economic headwinds present greater challenges. A restaurant or bookstore opening on Main Street, however, faces very different risks from those of a new tech firm whose employees can work from home and whose customers don't need to gather.

“There are going to be industries that are winners, and others that are going to be losers,” said David Brown, who co-founded the startup accelerator Techstars during the 2008 recession. “I probably wouldn't want to be in a business right now that caters to business travelers, but I'd love to be in a business that helps enable telemedicine.”

Determining what customers need now, rather than before the pandemic, is crucial. Menon and Brown see opportunity in offering solutions to the challenges that people now face: educating their children, working from home, managing supply chains, getting a haircut or the house cleaned, seeing doctors and therapists, entertaining themselves. Even new restaurants might be successful if they consider the future of customer service rather than recreate old systems.

“If you can find innovative ways for people to feed themselves right now, that might make sense,” Menon said. “You just have to address a need.”

Studies. "One is, there is less competition for resources. The second reason is that whatever changes we face, positive or negative, bring up new customer needs. And customer needs